

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7328

BILL NUMBER: HB 1603

NOTE PREPARED: Jan 11, 2003

BILL AMENDED:

SUBJECT: Tax Deduction for Classroom Supplies.

FIRST AUTHOR: Rep. Reske

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides a deduction from adjusted gross income for amounts paid by a teacher for classroom supplies and materials.

Effective Date: January 1, 2002 (retroactive).

Explanation of State Expenditures: The Department of State Revenue (DOR) would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to incorporate this tax credit. These expenses presumably could be absorbed given the DOR's existing budget and resources.

Explanation of State Revenues: The bill provides a deduction from adjusted gross income for amounts paid by a teacher for classroom supplies and materials. The deduction is applicable for tax years 2002 and 2003 only and would impact revenue collections in FY 2004. The impact would depend on the number of teachers that purchase supplies and materials for the classroom and applied for the deduction. Due to the retroactive date and timing of implementation of this deduction, a taxpayer would have to file an amended return in order to claim the deduction for tax year 2002.

There are about 67,000 classroom teachers in Indiana. If 50% of the teachers purchase \$200 worth of classroom supplies and materials and applied for the deduction, then the impact would be a reduction in state revenue of \$227,800. (A \$200 deduction would reduce a taxpayer's tax liability by \$6.80.) The impact if all teachers claimed a \$500 deduction for material and supplies would be \$1,139,000. (A \$500 deduction would reduce a taxpayer's tax liability by \$17.)

Background: The Internal Revenue Code currently offers an “above-the-line” deduction for teachers to deduct up to \$250 of unreimbursed expenses incurred with books, supplies, computer equipment, and supplementary materials used in the classroom for tax years 2002 and 2003. This federal income tax deduction flows through to Indiana adjusted gross income for eligible taxpayers.

Explanation of Local Expenditures:

Explanation of Local Revenues: The bill would reduce the revenue generated by the county option income tax and the county adjusted gross income tax. However the impact by county should be negligible.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: *2003 U.S. Master Tax Guide.*

Fiscal Analyst: Chuck Mayfield, 317-232-4825